

## Message Text

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17-12

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DRAFTED BY: INTERIOR/OSW/GRUA

APPROVED BY: NEA/ARP: F.M. DICKMAN

MR. WRAMPPELMEIER

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R 041959Z DEC 73

FM SECSTATE WASHDC

TO AMEMBASSY JIDDA

UNCLAS STATE 237218

E.O. 11652: N/A

TAGS: BGEN

SUBJECT: RELEASE OF PERFORMANCE & PAYMENT BONDS

FOR AMBASSADOR AKINS

FYI 1. THE FOLLOWING WIRE RECEIVED FROM HRH PRINCE MOHAMED AL-FAISAL: "YOUR OCTOBER 25TH LETTER TO FEDERAL INSURANCE COMPANY RE RELEASE OF PAYMENT BOND STOP WE HAVE BEEN INSTRUCTED BY H.E. MINISTER OF AGRICULTURE AND WATER TO CABLE YOU IN THIS RESPECT STOP AS THE RESULT OF AMSTERDAM MEETING IS UNDER CONSIDERATION OF HIGH AUTHORITY HERE AND THE GOVERNMENT DID NOT YET APPROVE SUCH SETTLEMENT. WE SEE THAT RELEASE OF BOND IS AGAINST THE INTEREST OF THE SAUDI GOVERNMENT STOP IF LAWS AND BY-LAWS IN THE STATES PROHIBIT RETAINING OR CONFISCATING BONDS THEN WE SEE THAT IT IS MEANINGLESS TO INCLUDE ARTICLES FOR BONDS IN AGREEMENTS STOP WE ARE UNABLE TO UNDERSTAND WHY INSTRUCTIONS HAVE BEEN GIVEN TO INSURANCE COMPANY TO RELEASE THE BOND WITHOUT CONTACTING US IN THIS REGARDS STOP THE SAUDI GOVERNMENT DO NOT APPROVE RELEASING OF SAID BOND AND WE RESERVE THE RIGHT TO PROTECT OUR INTERESTS STOP REGARD.

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MOHAMED AL-FAISAL, DEPUTY MINISTER SALINE WATER DESALINATION

AFFAIRS, MINISTRY OF AGRICULTURE."

2. THE FOLLOWING LETTER IS BEING SENT TO HRH: "WE HAVE RECEIVED YOUR TELEGRAM OF NOVEMBER 18, 1973, REQUESTING CLARIFICATION OF THE BONDS ON THE JIDDA POWER AND DESALTING PLANT.

"AS VERY CAREFULLY EXPLAINED TO YOUR REPRESENTATIVE, MR. ADNAN SAMMAN, AND AS WE ADVISED YOU IN OUR LETTER OF OCTOBER 3, 1973, THE NEGOTIATIONS IN AMSTERDAM RESULTED IN A FINAL SETTLEMENT WHICH REQUIRED FINAL APPROVAL BY OCTOBER 15, 1973. SINCE YOU DID NOT SPECIFICALLY DISAPPROVE OF THE SETTLEMENT BY SAID DATE, THE SETTLEMENT AGREEMENT BY ITS TERMS BECAME EFFECTIVE. WITH THE PAYMENT BY CONTINENTAL ENGINEERING OF THE NEGOTIATED SETTLEMENT, WHICH HAS BEEN RECEIVED, CONTINENTAL ENGINEERING HAS COMPLETED ALL OBLIGATIONS UNDER THEIR CONTRACT. THE BONDS, AS YOU KNOW, WERE REQUIRED TO PROTECT THE INTERESTS OF THE SAUDI ARABIAN GOVERNMENT DURING THE CONSTRUCTION AND GUARANTEE PERIODS AND BECAUSE YOUR GOVERNMENT NOW HAS NO CLAIM UNDER THE CONTRACT AGAINST THE CONTRACTOR, THE BONDS ARE NO LONGER REQUIRED. ALSO, BY AMERICAN LAW THEY MAY NOT BE MAINTAINED. AS STATED IN OUR LETTER OF OCTOBER 3, THE SETTLEMENT REACHED IN AMSTERDAM IS AS FAIR AND EQUITABLE AN ADJUSTMENT AS COULD BE EXPECTED. THE INTERESTS OF THE SAUDI ARABIAN GOVERNMENT WERE GIVEN THE MOST CAREFUL CONSIDERATION AND WERE NOT COMPROMISED IN ANY WAY. THE RELEASE OF THE BONDS IS NORMAL PROCEDURE AT THE CONCLUSION OF THE CONTRACTOR'S LIABILITY. WE HOPE THIS CLARIFIES THE MATTER FOR YOU.

"WE AGAIN EXPRESS THANKS TO YOU AND MR. SAMMAN FOR YOUR ASSISTANCE IN THE FINAL NEGOTIATIONS AND REGRET THAT WE ACTED WITHOUT YOUR POSITIVE EXPRESSION OF APPROVAL. WE REAFFIRM OUR SINCERE INTERESTS IN THE JIDDA PLANT AND THE SAUDI ARABIAN SALINE WATER PROGRAM. THE JIDDA PLANT IS ONE YOU CAN WELL BE PROUD OF. SINCERELY YOURS, J.W. O'MEARA, DIRECTOR." KISSINGER

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## Message Attributes

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**Disposition Comment:**  
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**TAGS:** BGEN  
**To:** JIDDA  
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